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October 22, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington, DC 20554

RECEIVED

OCT 22 1996

Federal Communications Commission
Office of Secretary

Re: Ex Parte Presentation in CC Docket No. 96-61

Dear Mr. Caton:

Today I provided copies of the attached letter to the following individuals: John Nakahata, Special Assistant to Chairman Reed Hundt; Lauren Belvin, Senior Legal Advisor to Commissioner James Quello; James Casserly, Senior Legal Advisor to Commissioner Susan Ness; Daniel Gonzalez, Legal Advisor to Commissioner Rachelle Chong; Larry Atlas, Associate Bureau Chief, Common Carrier Bureau; A. Richard Metzger, Jr., Deputy Bureau Chief, Common Carrier Bureau; Richard Welch, Chief, Policy Division, Common Carrier Bureau; and Melissa Waksman, Attorney, Christopher Heimann, Attorney, Jordan Goldstein, Attorney, Patrick DeGraba, Economist, all from the Policy Division, Common Carrier Bureau.

Two copies of this letter are being submitted to the Secretary of the Federal Communications Commission in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Sincerely,

A handwritten signature in cursive script that reads "Judy Argentieri".

Attachment

No. of Copies rec'd
List ABCDE

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R. Gerard Salemme
Vice President - Government Affairs

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October 22, 1996

Regina M. Keeney, Chief
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Re: CC Docket No. 96-61

Dear Ms. Keeney:

In a letter filed in the above-captioned docket on October 17, 1996, AT&T stated that the Commission's proposal, to adopt a "mandatory detariffing" rule that would prohibit nondominant carriers from filing tariffs for any domestic service, would create significant implementation difficulties for the industry as a whole. However, in the event the Commission decides to move forward with its mandatory detariffing proposal, it is vital that there be a transition period before the Commission implements new rules.¹ Developing the systems and processes needed to convert from tariffs to other arrangements for 100 million customers industry-wide, and educating consumers about the change in a manner that minimizes confusion, will take at least 12 months. The attached timeline provides an example of the time that might be required to implement a Commission decision on mandatory detariffing.

Time will be required to convert customer agreements from tariffs to other arrangements. Plans must be developed for each of these sets of users: existing customers, occasional users, and prospective customers. The issues that will be raised during this process are outlined in AT&T's October 17, 1996 letter.

Regardless of the method selected by carriers to replace tariffs, systems that have depended on a tariff process will have to be modified to ensure, for prospective customers, that the customer and carrier will be appropriately bound in the business arrangement with a minimum of start-up delay. It would create a competitive disadvantage for AT&T, for example, if at some point in the future a local exchange carrier (who also provides long distance service) handles a service inquiry from a customer who wants to select AT&T as its long distance provider and is in a position to advise the customer it must wait several

¹ Nothing in this letter is intended to modify AT&T's position that on the record before it, the only option that is both within the Commission's authority and consistent with the public interest is to adopt permissive detariffing.

days or weeks to receive AT&T's service contract, but the customer could instead begin taking long distance service under the LEC's tariffs immediately.²

The length of the transition period needed is in part dictated by the substantive decisions that would be made by the Commission in implementing a detariffed regime. The key concern here is whether the Commission makes its decision prospective (i.e., no new tariffs filed after a certain date), or retroactive (i.e., as of a certain date all previously filed tariffs must be withdrawn). AT&T strongly urges the Commission not to require carriers to remove custom tariffs (such as AT&T's Contract Tariffs and VTNS arrangements) that already have, by their own terms, scheduled expiration dates. Removal of those tariffs would not change the terms of those arrangements, but would require carriers to expend significant resources to deal with customer confusion; carriers would have to work with each customer to assure them that detariffing would not alter the respective rights of the carrier and customer as they existed prior to detariffing.³ At a minimum, the Commission's Order should make clear that the terms of customized carrier/customer deals currently on file at the Commission remain unchanged by a decision to prohibit the filing of tariffs.⁴

Carriers also would need to make ministerial adjustments to the language describing most deals (e.g., a certain discount off tariff prices, for example, would need to be translated into the same discount off list prices). While no substantive change would occur, literally thousands of existing deals would have to be reworked in some fashion just to keep them as they were. This work could easily take up to a year to complete.

Even if the Commission makes detariffing mandatory only on a prospective basis, carriers will still need to accomplish enormous systems work to manage the transition to a non-tariffed world. Tariffs today form an integral part of a carrier's internal operations. For instance, field sales teams know they can deliver only what is contained in tariffs, and those reviewing customer offers on a centralized basis also have come to rely on tariffs as the critical tool for assuring consistency in the terms under which service is promised and provided to customers. Perhaps the biggest practical challenge posed by the absence of tariffs is the retraining of a large sales force, and the development of internal control mechanisms to replace the role tariffs have played in the contract formulation process. Major modifications to nationwide customer support systems can take up to a year to implement in a quality fashion. A rapid conversion, without the development by carriers

² AT&T suggests the Commission permit carriers to leave a basic rate schedule in tariffs as a means of handling such new customer requests.

³ Another "transition period" issue raised by this proceeding is the fact that the rule proposed in the Notice impacts domestic interexchange services only. As noted in the NPRM (para 33), many carriers today file bundled tariffs that include both domestic and international services. Application of a mandatory detariffing rule only to domestic offerings would be confusing and extraordinarily disruptive to customers taking bundled offerings. If the Commission adopts mandatory detariffing for domestic services, it should also forbear from requiring bundled domestic/international deals to be tariffed until the FCC acts on detariffing international services.

⁴ While it is incorrect as a matter of law that a detariffing decision provides an opportunity for customers to renegotiate their deals, these customer discussions will take additional time.

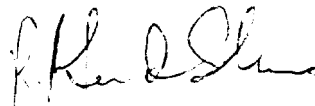
of new internal systems, would lead to significant disruption and litigation as customers and carriers adjust to the new industry model.

In addition to the contracting process, other internal processes also will have to be changed. New systems will have to be developed to make available carrier prices, and other terms and conditions. This is not as simple as it sounds. AT&T has approximately 150,000 pages of tariff material on file with the FCC, material that either will have to be included in contracts as appropriate, or made available in some medium not yet defined. Further, AT&T's customer support centers, which today review customer requests for adjustments based on legal standards derived from applicable tariffs, will need to develop and implement new policies for review, based on the ability of the customer support systems to access an even greater number of individual customer contracts. While simple in theory, development of systems to access an individual customer's contract presents a not insignificant challenge, due to the large number of contracts involved. It cannot be accomplished in a few short months.

Finally, AT&T currently does business with over 1,400 local exchange carriers who perform billing to AT&T's customers, and will need time to work with those billing agents to determine how billing will be done in the future without tariffs. Past experience indicates that it can take up to a year or more for all LECs to implement changes to billing arrangements.

Should the Commission decide to mandate detariffing, AT&T urges the Commission to take these matters into account, and establish a 12-month transition period.

Yours truly,



attachment

cc:

John Nakahata
James Casserly
Lauren Belvin
Daniel Gonzalez
A. Richard Metzger
Larry Atlas

Richard Welch
Donald Stockdale
Melissa Waksman
Christopher Heimann
Jordan Goldstein
Patrick DeGraba

Projected Time Line for Conversion as a Result of Mandatory Detariffing															
	Months														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Check state laws on consumer notification and contracts and develop contracts.	=====>														
Develop consumer mailing and perform market research to test customer acceptance of mailing.				=====>											
Mail bill inserts to 70,000,000 AT&T customers (8,000,000 per month).							=====>								
Process consumer responses from staggered mailing.								=====>							
Convert existing contract tariffs and Tariff 12s.	=====>														
Modify customer support systems including billing adjustments and develop systems to access individual customer contracts (retrain field sales teams, account executives and customer support centers).	=====>														
Develop operating systems with 1400 separate local phone companies including systems for casual callers (incorporate 150,000 pages of tariff material into contracts or other documents).	=====>														